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SUBJECT: AMBASSADOR,S MEETING WITH MINISTER FOR
INSTITUTIONAL RELATIONS TARSO GENRO

Classified By: Political Counselor Dennis W. Hearne for reasons 1.4 b a
nd d.

11. (C) Summary. Ambassador Sobel met on November 27 with Tarso Genro, Minister for Institutional Relations, to discuss President Lula,s agenda in the second term, executive-congressional relations, and other issues. Genro said the government is still processing its first term experience, which was "very difficult" because of a deluge of corruption scandals, and added that the government is focused on the economic challenges, which also proved to be difficult in the first term. Genro said Lula has three plans in mind for his second term: (1) work harder on the government,s coalition so as to give his administration greater stability; (2) open a dialogue with the opposition on political reform; and (3) broaden economic growth without destabilizing macroeconomic progress. Genro commented that Brazil,s relations with the U.S. and Latin America are both important but in the government,s view, it must not favor either relationship because it would harm the other. Genro avoided responding to the Ambassador,s queries about cabinet level appointments. The Ambassador and Genro agreed to identify areas of mutual interest to work on in the future. Genro asked for our assistance to learn more about the U.S. federal system, especially federal and state relations, and proposed that we jointly organize a working group to discuss this further. End summary.

12. (C) Ambassador, accompanied by Special Assistant, met with Tarso Genro on November 27 at the Presidential Palace. As Minister for Institutional Relations, Genro has chief responsibility for managing the relationship between the presidency and the Congress. He also handles relations with the state governments. Genro opened by saying the government is still processing its first term experience, which was "very difficult" because of the series of corruption scandals, and added that the government is focused on the economic challenges, which also proved to be difficult in the first term.

13. (C) On corruption, Genro said two things had happened: first, Lula and his government worked with police to develop mechanisms to combat corruption, and second, the Workers, Party (PT) had become internally more "humble" owing to the corruption experience of the first term and the PT's previous reputation as a clean party. With that background, Genro said, Lula was going into his second term with a greater sense of responsibility to deepen the fight against corruption, both in politics and as a systemic problem in Brazilian society.

¶4. (C) On economics, Genro said Lula wants to take advantage of macroeconomic progress made in the first term and now broaden economic development in Brazil. He mentioned the need for an increase in investment in infrastructure, including energy, and an improved income distribution, in which education will play a key role.

¶5. (C) Genro said Lula has three plans in mind for his second term: 1) work harder on the government's coalition so as to give his administration greater stability; 2) open a dialogue with the opposition on political reform; and 3) broaden economic growth without destabilizing macroeconomic progress. He did not elaborate on how these goals would be accomplished.

¶6. (C) He added that Brazil's relationships with the U.S. and Latin America are both important, and in the government's view it must follow a middle path, since favoring one relationship would harm the other. He stressed that the Brazilian government is not anti-American, that there is no "crisis" in U.S.-Brazilian relations, and Brazil wants to create a relationship of responsibility with the U.S. as a political and economic partner.

¶7. (C) Ambassador Sobel replied that our relationship is not a question of priorities but one of creating the best possible relationship. He noted that Presidents Bush and Lula enjoy good relations, and that in the U.S. politicians from the same political party do not always agree with each other. He said we do note, though, how often the Brazilian media report on regional relations and south-south relations in comparison with U.S.-Brazilian relations.

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¶8. (C) After the Ambassador discussed our interest in possible frameworks for better U.S.-Brazilian relations, including a possible tax and investment treaty to create a better business environment for U.S. companies, Genro explained that there is a "double tension" in Brazil's relations with the U.S. and Latin America, since if Brazil privileges the U.S., it will disadvantage its neighbors and create "competition" in the region over which countries can have the best relations with the U.S. When the Ambassador cited the positive example of Chile, Genro acknowledged the point but said Chile's economy is primarily export-driven, while Brazil has a large industrial economy that includes a spectrum from environmentally protected areas in the Amazon to globally integrated agro-business. Ambassador and Genro also discussed the balance between job growth and industrial development and environmental protection. Brazil sees its role as mediating the different political and economic issues and needs to be friendly to both Bush and Chavez, Genro said.

¶9. (C) Ambassador said we appreciate Brazil's mediating role with Chavez, we hope Brazil could do more, and we hope Brazil can do the same with Cuba. He added that if Brazil wants to grow it will best do so by working with the U.S. and other developed nations such as the European Union, as well as developing nations. Genro and the Ambassador agreed to identify areas of mutual interest to work on in terms of trade and investment frameworks. We both recognized, he said, that we must work through both the executive and the legislative branches.

¶10. (C) Genro asked the Ambassador to help him learn more about the U.S. federal system, particularly relations between the federal and state governments, and state to state relations. Under the federal-state rubric, Genro said he was especially interested in discussing taxes, the environment, and law enforcement. He proposed establishing a joint working group to meet next April or May to discuss federalism further. Ambassador agreed to help facilitate this project.

¶11. (C) Ambassador asked Genro to discuss possible changes

in the Workers Party leadership, but Genro was not forthcoming, merely offering to put the Ambassador in touch with leaders in relation to specific topics of interest. He also noted that he is now in the government, hence his involvement in PT matters is unofficial. Genro also would not be pinned down with regard to which areas he viewed as crucial in the bilateral relationship.

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